BDC
Entrepreneurs first

2016

THIRD QUARTER

FINANCIAL REPORT

December 31, 2015

Canada

EXECUTIVE SUMMARY

The performance of the Canadian economy was very uneven at the end of 2015. Lower global commodity prices continue to have an impact on oil-producing provinces and resource industries. However, strong U.S. demand, combined with a lower dollar, is supporting growth in provinces with an important manufacturing base. Overall, the Canadian economy continues to grow, but at a very modest pace.

Oil prices continued to slide at the end of 2015, pressured by oversupply and worries that global demand will slow down in 2016. Lower oil prices have reduced investment significantly and are having a strong negative impact on Alberta, Saskatchewan, and Newfoundland and Labrador. Employment is down in these provinces.

Prices for other commodities, such as iron ore, nickel, copper, gold and coal, are also depressed, and this is having a negative impact on investment and economic activity in different parts of the country. This is an important sector for Canada. In 2014, the total value of metallic and non-metallic mineral production was roughly $45 billion, excluding several billion dollars' worth of aluminum, which is processed domestically but mined abroad. Oversupply and concerns about the pace of economic growth in China are the primary factors weighing on most commodity prices.

Business lending conditions continue to be stimulative, but they are showing signs of a slowdown. In November 2015, total business credit had increased 6.6% over the previous year and 3.3% over the last three months, but had decreased 1.9% from the level in October. Short-term credit from chartered banks decreased 16.7% in November, as opposed to long-term credit, which increased during the same period. [1]

On the other hand, sustained economic growth in the United States and a low Canadian dollar continued to progressively stimulate our exports in 2015, benefitting the manufacturing sector. Production, investment intentions and employment are increasing in the manufacturing sector across the country but are especially strong in Quebec, Ontario, Manitoba and British Columbia. Exports were the main driver of economic growth in these provinces and in Canada as a whole in 2015.

In this context, BDC works to ensure that small and medium-sized businesses have the support they need to grow and succeed. Clients of Financing[2] accepted $1.3 billion in loans this quarter, the same amount as last year. For the nine months ended December 31, clients accepted a total of $3.8 billion in loans, compared to $3.7 billion last year.

As at December 31, 2015, Financing's[2] loan portfolio, before allowance for credit losses, stood at $20.0 billion, a 5.8% increase since March 31, 2015.

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(1) Source of data in this paragraph: Bank of Canada.

(2) Unless otherwise indicated, Financing excludes Growth & Transition Capital.

The Business Development Bank of Canada (BDC) is a Crown corporation wholly owned by the Government of Canada.

Our mission is to help create and develop Canadian businesses through financing, venture capital and consulting services, with a focus on small and medium-sized enterprises.

When entrepreneurs succeed, they make an irreplaceable contribution to Canada's economy. Supporting them is in our national interest.

BDC continued to focus on small loans while also meeting the need for larger loans, notably for medium-sized businesses, and participating in financial transactions with other financial institutions. During the quarter, 2,322 clients of Financing and Growth & Transition Capital accepted loans of $500,000 or less for a total of $236.4 million, compared to 2,412 clients and $236.1 million, respectively, for the same period last year. For the nine months ended December 31, 2015, 7,994 clients accepted loans of $500,000 or less for a total of $771.4 million, compared to 6,464 clients and $661.6 million for the same period last year.

Growth & Transition Capital continued to support the growth plans of Canadian entrepreneurs through its diverse product offerings, with clients accepting $79.0 million in financing in the third quarter, for a total of $199.8 million for the nine-month period, compared to $69.5 million and $162.2, respectively, million for the same periods last year.

To support innovative Canadian companies and create the conditions for success in the venture capital ecosystem, Venture Capital authorized investments totalling $91.2 million in the third quarter, compared to $56.2 million in the same period last year. For the nine-month period ended December 31, a total of $184.4 million was authorized, compared to $126.5 million in the same period last year.

BDC Capital's Strategic Investments and Partnerships (SIP) team continued to develop initiatives to support key areas of the venture capital ecosystem. It makes investments in specialized funds, accelerators and graduates of accelerators. As at December 31, 2015, the SIP team had invested in 142 start-ups for a total of $25.0 million since its inception.

During the quarter, BDC continued to deploy the Venture Capital Action Plan (VCAP), a federal government initiative to invest $400 million to increase private sector venture capital financing for high-potential, innovative Canadian businesses. VCAP authorized $37.1 million in investments during the third quarter, for a total of $63.0 million for the nine-month period ended December 31, 2015. VCAP continued to show strong momentum; the funds of funds have raised a total of $1.2 billion to date. As at December 31, 2015, the total VCAP portfolio stood at $117.4 million, compared to $47.6 million as at March 31, 2015.

BDC is maintaining its role in the securitization market, where small and medium-sized enterprises (SMEs) access financing for the vehicles and equipment they need to improve productivity. As at December 31, 2015, total asset-backed securities stood at $516.4 million, compared to $407.7 million as at March 31, 2015. For the nine-month period ended December 31, 2015, disbursements totalled $270.2 million, compared to $168.3 million for the same period last year.

BDC's newly created business line, BDC Advantage, continued to build a team of experts dedicated to helping high-impact firms and to offering a full range of other non-financial services to entrepreneurs, including our existing Consulting business. During the third quarter, a new international expansion team was created to develop and implement a wide range of initiatives to support Canadian entrepreneurs in their efforts to succeed in global markets.

In the third quarter of fiscal 2016, BDC posted consolidated net income of $148.8 million,[3] compared to $115.2 million[3] for the same period last year. The increase was mostly attributable to higher net unrealized appreciation on venture capital investments. Net income for the nine-month period was $460.7 million,[4] $86.7 million higher than the $374.0[4] million recorded last year.

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(3) Including a net loss of $0.1 million and a net income of $0.1 million attributable to non-controlling interests for fiscal 2016 and 2015, respectively.

(4) Including $1.3 million and $0.9 million in net loss attributable to non-controlling interests for fiscal 2016 and 2015, respectively.

For the quarter, consolidated total comprehensive income was $153.9 million, compared to $89.6 million for the same period last year. The increase in other comprehensive income was mostly due to higher remeasurement gain on the net defined benefit asset or liability. Refer to the consolidated comprehensive income section for further information. For the nine-month period, total comprehensive income was $513.7 million, compared to $287.3 million for the same period last year.

BDC Small Business Week™ ran from October 18 to October 24 under the theme *"Knock down barriers. Dare to grow."* This was the 36th edition of BDC's flagship event celebrating entrepreneurship at the local, provincial and national levels.

For the 10th consecutive year, BDC was named one of Canada's top 100 employers. BDC was chosen for the honour in Mediacorp Canada's annual competition, which acknowledges Canadian employers that offer exceptional workplaces.

In November, BDC announced that it had earmarked $500 million in additional financing for Canadian SMEs affected by the decline in oil prices. Under this program, BDC will also provide advisory solutions to help companies adjust their business operations to weather the impact of the current economic downturn. BDC's strategy is intended to help promising companies with projects aimed at diversifying their business, increasing their operational and environmental efficiency, improving financial management, and purchasing new technology and equipment.

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From time to time, we make written or oral forward-looking statements. We may make forward-looking statements in this quarterly financial report. These forward-looking statements include, but are not limited to, statements about objectives and strategies for achieving objectives, as well as statements about outlooks, plans, expectations, anticipations, estimates and intentions.

By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. These uncertainties give rise to the possibility that predictions, forecasts, projections and other elements of forward-looking statements will not be achieved. A number of important factors could cause actual results to differ materially from the expectations expressed.

CONTEXT OF THE QUARTERLY FINANCIAL REPORT

The *Financial Administration Act* requires that all departments and parent Crown corporations prepare and make public a quarterly financial report. The Standard on Quarterly Financial Reports for Crown Corporations is issued by the Treasury Board of Canada Secretariat to provide parent Crown corporations with the form and content of the quarterly financial report under the authority of section 131.1 of the *Financial Administration Act*. There is no requirement for an audit or review of the financial statements included in the quarterly financial report. Therefore, the condensed quarterly Consolidated Financial Statements included in this report have not been audited or reviewed by an external auditor.

RISK MANAGEMENT

Risk is an inherent feature of the financial sector. BDC uses sound practices of enterprise risk management (ERM).

BDC manages risk through the development and communication of policies; the establishment of formal risk reviews and approval processes; and the establishment of limits and delegation of authorities. The Board of Directors and its Credit and Risk Committee review quarterly ERM reports and monitor the effectiveness of BDC's ERM practices. In each line of business, management ensures that governance activities, controls, processes and procedures are consistent with BDC's sound ERM practices.

No significant changes were made to BDC's ERM practices and no new risks were identified during the quarter ended December 31, 2015.

ANALYSIS OF FINANCIAL RESULTS

Analysis of financial results is provided to enable a reader to assess BDC's results of operations and financial condition for the three-month and the nine-month periods ended December 31, 2015, compared to the corresponding periods of the prior fiscal year. This analysis also includes comments about significant variances from BDC's fiscal 2016–20 Corporate Plan, when applicable.

BDC reports on six business segments: Financing, Growth & Transition Capital, Venture Capital, BDC Advantage, Securitization and Venture Capital Action Plan (VCAP). BDC Advantage is a newly created segment that comprises non-financial activities, including Consulting and High-Impact Firms. Refer to BDC Advantage results and Note 12—*Segmented Information* to the financial statements for more information. All amounts are in Canadian dollars, unless otherwise specified, and are based on unaudited condensed quarterly Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS).

This analysis should be read in conjunction with the unaudited condensed quarterly Consolidated Financial Statements included in this report and the audited annual Consolidated Financial Statements in the fiscal 2015 Annual Report.

Consolidated net income

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Financing	**116.8**	118.7	**360.0**	358.4
Growth & Transition Capital	**9.6**	14.4	**31.3**	30.7
Venture Capital	**22.7**	(13.0)	**88.8**	2.3
BDC Advantage	**(8.5)**	(6.2)	**(23.5)**	(17.4)
Securitization	**0.9**	1.0	**2.1**	3.0
Venture Capital Action Plan	**7.3**	0.3	**2.0**	(3.0)
Net income	**148.8**	115.2	**460.7**	374.0
Net income attributable to:				
BDC's shareholder	**148.9**	115.1	**462.0**	374.9
Non-controlling interests	**(0.1)**	0.1	**(1.3)**	(0.9)
Net income	**148.8**	115.2	**460.7**	374.0

Three months ended December 31

BDC reported consolidated net income of $148.8 million for the third quarter ended December 31, 2015, comprising $148.9 million attributable to BDC's shareholder and a net loss of $0.1 million attributable to non-controlling interests. This compares to $115.2 million in consolidated net income for the third quarter of fiscal 2015, of which a net income of $0.1 million was attributable to non-controlling interests.

Net income in the third quarter of fiscal 2016 was higher than in the corresponding period of fiscal 2015, due primarily to higher net income from Venture Capital. Refer to the Venture Capital section of this analysis for further information.

Nine months ended December 31

BDC's consolidated net income was $460.7 million for the nine months ended December 31, 2015, which was higher than the $374.0 million recorded for the same period last year. The increase in consolidated net income is due primarily to higher net income from Venture Capital. Refer to the Venture Capital section of this analysis for further information.

Currently, BDC expects its consolidated net income for fiscal 2016 to exceed the Corporate Plan target of $423 million.

Consolidated comprehensive income

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Net income	**148.8**	115.2	**460.7**	374.0
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on available-for-sale assets	**(0.6)**	0.2	**(1.9)**	(0.7)
Net change in unrealized gains (losses) on cash flow hedges	**(0.5)**	(0.2)	**(1.5)**	(1.2)
Total items that may be reclassified subsequently to net income	**(1.1)**	-	**(3.4)**	(1.9)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	**6.2**	(25.6)	**56.4**	(84.8)
Other comprehensive income (loss)	**5.1**	(25.6)	**53.0**	(86.7)
Total comprehensive income	**153.9**	89.6	**513.7**	287.3
Total comprehensive income attributable to:				
BDC's shareholder	**154.0**	89.5	**515.0**	288.2
Non-controlling interests	**(0.1)**	0.1	**(1.3)**	(0.9)
Total comprehensive income	**153.9**	89.6	**513.7**	287.3

Three and nine months ended December 31

Consolidated total comprehensive income for the third quarter was $153.9 million, comprising $148.8 million in consolidated net income and $5.1 million in other comprehensive income. For the nine-month

period ended December 31, 2015, BDC reported total comprehensive income of $513.7 million, comprising $460.7 million in net income and $53.0 million in other comprehensive income.

BDC recorded other comprehensive income of $5.1 million and other comprehensive income of $53.0 million, respectively, for the third quarter and the nine-month period ended December 31, 2015, compared to other comprehensive loss of $25.6 million and $86.7 million for the same periods last year.

Remeasurements of net defined benefit asset or liability of $56.4 million contributed to the increase in total comprehensive income for the nine-month period ended December 31, 2015. For the most part, these gains were caused by higher discount rates used to value the net defined asset or liability, partially offset by lower returns on pension plan assets.

Financing results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Net interest and fee income	**246.6**	227.7	**725.8**	670.4
Provision for credit losses	**(38.3)**	(23.0)	**(99.9)**	(59.7)
Net gains (losses) on other financial instruments	**0.1**	(0.9)	**3.8**	(1.9)
Income before operating and administrative expenses	**208.4**	203.8	**629.7**	608.8
Operating and administrative expenses	**91.6**	85.1	**269.7**	250.4
Net income from Financing	**116.8**	118.7	**360.0**	358.4

	Three months ended December 31		Nine months ended December 31	
As % of average portfolio	**F2016**	F2015	**F2016**	F2015
Net interest and fee income	**4.9**	4.9	**5.0**	4.9
Provision for credit losses	**(0.8)**	(0.5)	**(0.7)**	(0.4)
Net gains (losses) on other financial instruments	**-**	-	**-**	-
Income before operating and administrative expenses	**4.1**	4.4	**4.3**	4.5
Operating and administrative expenses	**1.8**	1.8	**1.8**	1.8
Net income from Financing	**2.3**	2.6	**2.5**	2.7

Three and nine months ended December 31

Financing's net income was $116.8 million for the third quarter of fiscal 2016 and $360.0 million for the nine-month period ended December 31, 2015, compared to $118.7 million and $358.4 million, respectively, for the same periods last year. The slight increase in profitability for the nine-month period ended December 31, 2015 was mostly due to higher net interest and fee income, which was offset by a $20.0 million provision for collective credit losses that was recorded during the same period. Both the increase in net interest and fee income and the provision for credit losses reflect the growth of the portfolio. Despite the increase in the provision for credit losses, the level of losses remained low, at 0.7% of the average portfolio, for the nine-month period ended December 31, 2015.

Operating and administrative expenses for both the three-month and nine-month periods ended December 31, 2015, were higher than those in the corresponding periods last year. However, as a percentage of the average portfolio, operating and administrative expenses were comparable to those in the same periods last year. The increase was mainly due to higher staff levels, as BDC is deploying an initiative aimed at increasing its presence across Canada, especially in Western Canada and Ontario, so that it can help even more entrepreneurs and have a greater impact on their ability to innovate, grow and become more productive.

Growth & Transition Capital results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Net revenue on investments	**21.0**	19.2	**63.4**	39.3
Net change in unrealized appreciation (depreciation) of investments	**(3.2)**	0.5	**(9.1)**	9.6
Income before operating and administrative expenses	**17.8**	19.7	**54.0**	48.9
Operating and administrative expenses	**8.2**	5.3	**22.7**	18.2
Net income from Growth & Transition Capital	**9.6**	14.4	**31.3**	30.7
Net income attributable to:				
BDC's shareholder	**9.9**	14.0	**30.5**	29.5
Non-controlling interests	**(0.3)**	0.4	**0.8**	1.2
Net income from Growth & Transition Capital	**9.6**	14.4	**31.3**	30.7

Three months ended December 31

Growth & Transition Capital's net income for the third quarter of fiscal 2016 was $9.6 million, compared to net income of $14.4 million for the same period last year.

Net revenue on investments of $21.0 million for the third quarter was higher than the $19.2 million recorded last year, mainly due to lower write-offs ($0.3 million), higher realized gains on investments

($0.3 million) and higher net interest income ($1.6 million), partially offset by lower fee and other income ($0.4 million).

The net change in unrealized depreciation of investments of $3.2 million for the quarter included the following:

- a $1.2 million net fair value depreciation ($0.2 million net fair value depreciation for the same period last year); and
- a reversal of net fair value appreciation due to net realized gains totalling $2.0 million (reversal of net fair value depreciation due to net realized losses of $0.7 million for the same period last year).

Nine months ended December 31

For the nine months ended December 31, 2015, Growth & Transition Capital recorded net income of $31.3 million, higher than the $30.7 million recorded for the same period last year.

Net revenue on investments was $63.1 million, $23.8 higher than the $39.3 million recorded in the same period last year. The increase was due to higher net interest income as a result of portfolio growth ($4.5 million), lower fee and other income ($0.8 million), higher realized gains on investments ($1.5 million) and lower write-offs net of recovery ($18.6 million).

The net change in unrealized depreciation of investments of $9.1 million for the nine months ended December 31, 2015, included the following:

- a $6.2 million net fair value depreciation ($4.2 million net fair value depreciation for the same period last year); and
- a reversal of net fair value appreciation due to net realized gains totalling $2.9 million (reversal of net fair value depreciation due to net realized losses of $13.8 million for the same period last year).

Operating and administrative expenses amounted to $22.7 million, higher than the $18.2 million recorded last year, as a result of higher staff levels required to fully support the growth and transition plans of companies across Canada.

Venture Capital results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Net revenue (loss) on investments	**(7.2)**	(0.7)	**9.7**	(5.9)
Net change in unrealized appreciation (depreciation) of investments	**22.7**	(11.5)	**62.9**	18.3
Net unrealized foreign exchange gains (losses) on investments	**12.7**	6.8	**32.1**	9.6
Net gains (losses) on other financial instruments	**(0.2)**	(2.2)	**(0.3)**	(3.9)
Income before operating and administrative expenses	**28.0**	(7.6)	**104.4**	18.1
Operating and administrative expenses	**5.3**	5.4	**15.6**	15.8
Net income (loss) from Venture Capital	**22.7**	(13.0)	**88.8**	2.3
Net income attributable to:				
BDC's shareholder	**22.5**	(12.6)	**90.9**	4.4
Non-controlling interests	**0.2**	(0.4)	**(2.1)**	(2.1)
Net income (loss) from Venture Capital	**22.7**	(13.0)	**88.8**	2.3

Three months ended December 31

During the third quarter of fiscal 2016, Venture Capital recorded net income of $22.7 million, compared to a net loss of $13.0 million for the same period last year. The increase in net income was mainly due to higher unrealized appreciation of investments and higher net unrealized foreign exchange gains on investments.

Net loss on investments increased by $6.5 million, primarily due to higher write-offs, offset by higher net realized gains on investments.

The net change in unrealized apppreciation of investments of $22.7 million was $34.2 million higher than the $11.5 million net change in unrealized depreciation recorded last year and included the following:

- a $12.6 million net fair value appreciation of the portfolio ($12.8 million net fair value depreciation for the same period last year); and
- a reversal of net fair value depreciation on divested investments and write-offs totalling $10.1 million (a reversal of $1.3 million of net fair value depreciation on divested investments and write-offs for the same period last year).

Nine months ended December 31

For the nine months ended December 31, 2015, Venture Capital recorded net income of $88.8 million, compared to net income of $2.3 million for the same period last year.

Net revenue on investments was $9.7 million for the nine months ended December 31, 2015, compared to a net loss on investments of $5.9 million for the same period last year. The increase in net revenue on

investments is primarily due to the increase in net realized gains on investments, offset by higher write-offs.

The net change in unrealized appreciation of investments of $62.9 million for the nine-month period ended December 31, 2015, included the following:

- a $58.6 million net fair value appreciation of the portfolio ($11.5 million fair value appreciation for the same period last year); and
- a reversal of net fair value depreciation on divested investments and write-offs totalling $4.3 million (a reversal of $6.8 million of net fair value depreciation for the same period last year).

Net unrealized foreign exchange gains or losses on investments were due to foreign exchange fluctuations on the U.S. dollar. During the third quarter of fiscal 2015, BDC discontinued hedging U.S. dollar investments and only uses foreign exchange contracts to hedge U.S. dollar proceeds expected to be received.

BDC Advantage results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Revenue	**3.8**	4.1	**11.0**	12.7
Operating and administrative expenses	**12.3**	10.3	**34.5**	30.1
Net loss from BDC Advantage	**(8.5)**	(6.2)	**(23.5)**	(17.4)

Three and nine months ended December 31

During the first quarter of fiscal 2016, BDC undertook the first steps in setting up a team of experts dedicated to supporting high-impact firms and created a new unit called BDC Advantage. BDC's existing consulting services were also moved into the new unit. This team will work in collaboration with third parties to facilitate high-impact firms' access to other services that exist—or need to be developed—in the entrepreneurial ecosystem. BDC Advantage provides non-financial services on a fee-for-service basis. However, management maintains that, given the nature of the market segments in which we operate, full cost recovery cannot be expected on these activities. Management believes that BDC's non-financial services have a significant positive impact on Canadian small and medium-sized enterprises and the broader economy.

BDC Advantage's net loss was $8.5 million for the third quarter of fiscal 2016, compared to a $6.2 million net loss recorded for the same quarter last year. Cumulative net loss for the nine-month period ended December 31, 2015, was $23.5 million, compared to $17.4 million for the same period last year.

Revenues were $3.8 million and $11.0 million, respectively, for the third quarter and the nine months ended December 31, lower than the $4.1 million and $12.7 million recorded for the same periods last year.

On a year-to-date basis, operating and administrative expenses of $34.5 million were $4.4 million higher than those recorded in the same period of fiscal 2015, as BDC continued to allocate resources and build a team of experts to offer a range of non-financial support to entrepreneurs, including high-impact firms.

Securitization results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Net interest and fee income	**1.5**	1.5	**3.8**	4.4
Income before operating and administrative expenses	**1.5**	1.5	**3.8**	4.4
Operating and administrative expenses	**0.6**	0.5	**1.7**	1.4
Net income from Securitization	**0.9**	1.0	**2.1**	3.0

Three and nine months ended December 31

Net income from Securitization for the third quarter of fiscal 2016 was $0.9 million, for a total of $2.1 million for the nine-month period ended December 31, 2015. These figures compare to net income from Securitization of $1.0 million and $3.0 million, respectively, for the same periods last year.

Net interest and fee income was $3.8 million for the nine-month period ended December 31, 2015, lower than the $4.4 million recorded for the same period last year. This was mainly due to a decrease in the yield, partially offset by a higher asset-backed securities portfolio.

Operating and administrative expenses for the three-month and nine-month periods ended December 31, 2015, were slightly higher than those reported for the same period last year.

Venture Capital Action Plan results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Net revenue (loss) on investments	**0.1**	0.1	**0.3**	0.2
Net change in unrealized appreciation (depreciation) of investments	**7.4**	0.5	**2.3**	(2.5)
Income (loss) before operating and administrative expenses	**7.5**	0.6	**2.6**	(2.3)
Operating and administrative expenses	**0.2**	0.3	**0.6**	0.7
Net income (loss) from Venture Capital Action Plan	**7.3**	0.3	**2.0**	(3.0)

Three and nine months ended December 31

During the third quarter of fiscal 2016, Venture Capital Action Plan (VCAP) recorded a net income of $7.3 million, mostly as a result of a net change in unrealized apppreciation of investments of $7.4 million. For the nine months ended December 31, 2015, VCAP recorded a net income of $2.0 million, compared to a net loss of $3.0 million for the same period last year.

On a year-to-date basis, operating and administrative expenses of $0.6 million were comparable to those recorded in the same period of fiscal 2015.

Consolidated statement of financial position and cash flows

As at December 31, 2015, total BDC assets amounted to $22.7 billion, an increase of $1.6 billion from March 31, 2015, mainly due to the increase in loans and investments.

At $19.4 billion, the loan portfolio represented BDC's largest asset ($20.0 billion in gross portfolio and a $0.6 billion allowance for credit losses). The gross loan portfolio grew by 5.8% in the nine months after March 31, 2015.

As for BDC's investment portfolios, the subordinate financing portfolio stood at $718.1 million, compared to $642.8 million as at March 31, 2015. Net investment disbursements accounted for most of the increase in this portfolio. The venture capital portfolio was $912.6 million as at December 31, 2015, compared to $709.6 million as at March 31, 2015. The increase in this portfolio was mainly due to net investment disbursements and to gains on conversion of the U.S. dollar portfolio. The venture capital action plan portfolio stood at $117.4 million, compared to $47.6 million as at March 31, 2015. Investment disbursements accounted for most of the increase.

The asset-backed securities (ABS) portfolio stood at $516.4 million, compared to $407.7 million as at March 31, 2015. The increase in the portfolio was due to net disbursements of securities purchased under the Funding Platform for Independent Lenders (F-PIL) program.

Derivative assets of $47.7 million and derivative liabilities of $9.5 million reflected the fair value of derivative financial instruments as at December 31, 2015. Net derivative fair value decreased by $7.6 million, compared to the fair value as at March 31, 2015, primarily due to a decrease in fair value, as well as to maturities and redemptions.

As at December 31, 2015, BDC recorded a net defined benefit asset of $139.4 million related to the registered pension plan, and a net defined benefit liability of $203.9 million for the other plans, for a total net defined benefit liability of $64.5 million. This represents a decrease of $54.8 million compared to the total net defined benefit liability as at March 31, 2015, primarily as the result of remeasurement gains on the net defined benefit asset or liability recorded during the nine-month period ended December 31, 2015. Refer to page 9 of this report for further information on remeasurements of net defined benefit asset or liability.

BDC holds cash and cash equivalents in accordance with its Treasury Risk Policy. The Bank's liquidities, which ensure funds are available to meet BDC's cash outflows, totalled $687.6 million as at December 31, 2015, compared to $667.1 million as at March 31, 2015. For the nine-month period ended December 31, 2015, cash flow used by investing activities amounted to $365.0 million, mainly as a result of net disbursements of subordinate financing and venture capital investments, and ABS. Financing

activities provided $1,043.7 million in cash flow, mainly as a result of the issuance of short-term notes and common shares, partially offset by the repayment of long-term notes and the payment of dividends, while operating activities used $658.2 million, mainly due to the increase in the loans portfolio.

As at December 31, 2015, BDC funded its portfolios and liquidities with borrowings of $16.9 billion and total equity of $5.4 billion. Borrowings comprised $16.5 billion in short-term notes and $0.4 billion in long-term notes.

CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

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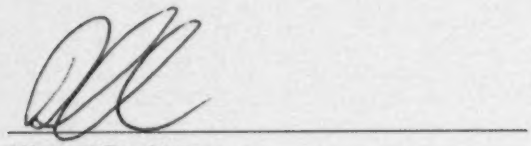
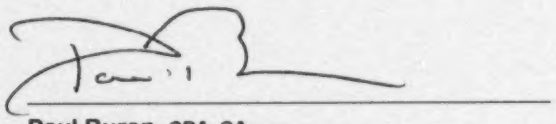
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation and fair presentation of these condensed quarterly Consolidated Financial Statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines are necessary to enable the preparation of condensed quarterly Consolidated Financial Statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly Consolidated Financial Statements.

Based on our knowledge, these unaudited condensed quarterly Consolidated Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the condensed quarterly Consolidated Financial Statements.



Michael Denham
President and Chief Executive Officer



Paul Buron, CPA, CA
Executive Vice President and
Chief Financial Officer

Montreal, Canada
February 10, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(in thousands of Canadian dollars)	Notes	December 31, 2015	March 31, 2015
ASSETS			
Cash and cash equivalents		**687,602**	667,084
Derivative assets		**47,682**	53,322
Loans and investments			
Asset-backed securities	6	**516,363**	407,731
Loans	7	**19,441,499**	18,414,044
Subordinate financing investments	8	**718,077**	642,810
Venture capital investments	9	**912,575**	709,639
Venture capital action plan investments	10	**117,399**	47,643
Total loans and investments		**21,705,913**	20,221,867
Property and equipment		**24,392**	24,435
Intangible assets		**41,055**	48,961
Net defined benefit asset		**139,356**	100,429
Other assets		**19,416**	12,919
Total assets		**22,665,416**	21,129,017
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accrued liabilities		**90,283**	101,996
Derivative liabilities		**9,465**	7,515
Borrowings			
Short-term notes		**16,528,556**	15,435,747
Long-term notes		**417,398**	548,709
Total borrowings		**16,945,954**	15,984,456
Net defined benefit liability		**203,880**	219,664
Other liabilities		**44,833**	36,266
Total liabilities		**17,294,415**	16,349,897
Equity			
Share capital	11	**2,288,400**	2,138,400
Contributed surplus		**27,778**	27,778
Retained earnings		**3,026,025**	2,570,454
Accumulated other comprehensive income		**4,565**	7,934
Equity attributable to BDC's shareholder		**5,346,768**	4,744,566
Non-controlling interests		**24,233**	34,554
Total equity		**5,371,001**	4,779,120
Total liabilities and equity		**22,665,416**	21,129,017

Guarantees (Note 13)

Commitments (Note 14)

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2015	2014	**2015**	2014
Interest income	**274,736**	271,867	**818,008**	803,289
Interest expense	**16,862**	33,634	**57,823**	101,443
Net interest income	**257,874**	238,233	**760,185**	701,846
Net realized gains (losses) on investments	**(6,551)**	(1,008)	**7,205**	(26,995)
Consulting revenue	**3,851**	4,075	**11,023**	12,680
Fee and other income	**10,701**	10,673	**35,287**	33,715
Net realized gains (losses) on other financial instruments	**(33)**	(6,211)	**156**	(5,136)
Net revenue	**265,842**	245,762	**813,856**	716,110
Provision for credit losses	**(38,290)**	(22,982)	**(99,921)**	(59,673)
Net change in unrealized appreciation (depreciation) of investments	**26,751**	(10,582)	**56,140**	25,311
Net unrealized foreign exchange gains (losses) on investments	**12,796**	6,877	**32,146**	9,662
Net unrealized gains (losses) on other financial instruments	**24**	3,081	**3,405**	(772)
Income before operating and administrative expenses	**267,123**	222,156	**805,626**	690,638
Salaries and benefits	**82,773**	71,190	**244,766**	217,159
Premises and equipment	**11,708**	11,570	**35,022**	34,340
Other expenses	**23,797**	24,201	**65,136**	65,107
Operating and administrative expenses	**118,278**	106,961	**344,924**	316,606
Net income	**148,845**	115,195	**460,702**	374,032
Net income attributable to:				
BDC's shareholder	**148,917**	115,146	**462,053**	374,919
Non-controlling interests	**(72)**	49	**(1,351)**	(887)
Net income	**148,845**	115,195	**460,702**	374,032

The accompanying notes are an integral part of these Consolidated Financial Statements and Note 12 provides additional information on segmented net income.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2015	2014	**2015**	2014
Net income	**148,845**	115,195	**460,702**	374,032
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on available-for-sale assets	**(626)**	165	**(1,888)**	(707)
Net unrealized gains (losses) on cash flow hedges	**(442)**	(104)	**(1,349)**	(856)
Reclassification to net income of losses (gains) on cash flow hedges	**(44)**	(107)	**(132)**	(345)
Net change in unrealized gains (losses) on cash flow hedges	**(486)**	(211)	**(1,481)**	(1,201)
Total items that may be reclassified subsequently to net income	**(1,112)**	(46)	**(3,369)**	(1,908)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	**6,192**	(25,578)	**56,406**	(84,778)
Other comprehensive income (loss)	**5,080**	(25,624)	**53,037**	(86,686)
Total comprehensive income	**153,925**	89,571	**513,739**	287,346
Total comprehensive income attributable to:				
BDC's shareholder	**153,997**	89,522	**515,090**	288,233
Non-controlling interests	**(72)**	49	**(1,351)**	(887)
Total comprehensive income	**153,925**	89,571	**513,739**	287,346

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended December 31
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at September 30, 2015	2,288,400	27,778	2,870,916	2,685	2,992	5,677	5,192,771	25,988	5,218,759
Total comprehensive income									
Net income			148,917				148,917	(72)	148,845
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(626)		(626)	(626)		(626)
Net change in unrealized gains (losses) on cash flow hedges					(486)	(486)	(486)		(486)
Remeasurements of net defined benefit asset or liability			6,192				6,192		6,192
Other comprehensive income (loss)	-	-	6,192	(626)	(486)	(1,112)	5,080	-	5,080
Total comprehensive income	-	-	155,109	(626)	(486)	(1,112)	153,997	(72)	153,925
Distributions to non-controlling interests								(1,683)	(1,683)
Capital injections from non-controlling interests								-	-
Transactions with owner, recorded directly in equity	-	-	-	-	-	-	-	(1,683)	(1,683)
Balance as at December 31, 2015	2,288,400	27,778	3,026,025	2,059	2,506	4,565	5,346,768	24,233	5,371,001

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at September 30, 2014	2,138,400	27,778	2,313,239	1,335	2,256	3,591	4,483,008	38,137	4,521,145
Total comprehensive income									
Net income			115,146				115,146	49	115,195
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				165		165	165		165
Net change in unrealized gains (losses) on cash flow hedges					(211)	(211)	(211)		(211)
Remeasurements of net defined benefit asset or liability			(25,578)				(25,578)		(25,578)
Other comprehensive income (loss)	-	-	(25,578)	165	(211)	(46)	(25,624)	-	(25,624)
Total comprehensive income	-	-	89,568	165	(211)	(46)	89,522	49	89,571
Distributions to non-controlling interests								(2,538)	(2,538)
Capital injections from non-controlling interests								149	149
Transactions with owner, recorded directly in equity	-	-	-	-	-	-	-	(2,389)	(2,389)
Balance as at December 31, 2014	2,138,400	27,778	2,402,807	1,500	2,045	3,545	4,572,530	35,797	4,608,327

The accompanying notes are an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended December 31
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at March 31, 2015	2,138,400	27,778	2,570,454	3,947	3,987	7,934	4,744,566	34,554	4,779,120
Total comprehensive income									
Net income			462,053				462,053	(1,351)	460,702
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(1,888)		(1,888)	(1,888)		(1,888)
Net change in unrealized gains (losses) on cash flow hedges					(1,481)	(1,481)	(1,481)		(1,481)
Remeasurements of net defined benefit asset or liability			56,406				56,406		56,406
Other comprehensive income (loss)	-	-	56,406	(1,888)	(1,481)	(3,369)	53,037	-	53,037
Total comprehensive income	-	-	518,459	(1,888)	(1,481)	(3,369)	515,090	(1,351)	513,739
Issuance of shares	150,000						150,000		150,000
Dividends on common shares			(62,888)				(62,888)		(62,888)
Distributions to non-controlling interests								(9,753)	(9,753)
Capital injections from non-controlling interests								783	783
Transactions with owner, recorded directly in equity	150,000	-	(62,888)	-	-	-	87,112	(8,970)	78,142
Balance as at December 31, 2015	2,288,400	27,778	3,026,025	2,059	2,506	4,565	5,346,768	24,233	5,371,001

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at March 31, 2014	2,138,400	27,778	2,167,279	2,207	3,246	5,453	4,338,910	51,139	4,390,049
Total comprehensive income									
Net income			374,919				374,919	(887)	374,032
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(707)		(707)	(707)		(707)
Net change in unrealized gains (losses) on cash flow hedges					(1,201)	(1,201)	(1,201)		(1,201)
Remeasurements of net defined benefit asset or liability			(84,778)				(84,778)		(84,778)
Other comprehensive income (loss)	-	-	(84,778)	(707)	(1,201)	(1,908)	(86,686)	-	(86,686)
Total comprehensive income	-	-	290,141	(707)	(1,201)	(1,908)	288,233	(887)	287,346
Dividends on common shares			(54,613)				(54,613)		(54,613)
Distributions to non-controlling interests								(16,959)	(16,959)
Capital injections from non-controlling interests								2,504	2,504
Transactions with owner, recorded directly in equity	-	-	(54,613)	-	-	-	(54,613)	(14,455)	(69,068)
Balance as at December 31, 2014	2,138,400	27,778	2,402,807	1,500	2,045	3,545	4,572,530	35,797	4,608,327

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2015	2014	2015	2014
Operating activities				
Net income	148,845	115,195	460,702	374,032
Adjustments to determine net cash flows				
Interest income	(274,736)	(271,867)	(818,008)	(803,289)
Interest expense	16,862	33,634	57,823	101,443
Net realized losses (gains) on investments	6,551	1,008	(7,205)	26,995
Provision for credit losses	38,290	22,982	99,921	59,673
Net change in unrealized depreciation (appreciation) on investments	(26,751)	10,582	(56,140)	(25,311)
Net unrealized foreign exchange losses (gains) on investments	(12,796)	(6,877)	(32,146)	(9,662)
Net unrealized losses (gains) on other financial instruments	(24)	(3,081)	(3,405)	772
Defined benefits funding in excess of amounts expensed	2,358	(3,103)	1,695	(16,435)
Depreciation of property and equipment, and amortization of intangible assets	4,398	4,451	13,195	12,795
Loss (gain) on disposal of property and equipment	-	59	-	68
Other	(6,449)	(7,191)	(16,615)	(8,048)
Interest expense paid	(13,360)	(30,691)	(56,576)	(98,741)
Interest income received	266,429	263,066	796,833	787,226
Disbursements for loans	(1,269,685)	(1,192,936)	(3,452,399)	(3,174,817)
Repayments of loans	769,568	764,044	2,362,802	2,229,430
Changes in operating assets and liabilities				
Net change in accounts payable and accrued liabilities	19,297	9,225	(11,713)	(26,804)
Net change in other assets and other liabilities	4,374	771	2,070	(3,401)
Net cash flows provided (used) by operating activities	(326,819)	(290,729)	(658,166)	(573,874)
Investing activities				
Disbursements for asset-backed securities	(73,959)	(60,619)	(270,155)	(168,274)
Repayments and proceeds on sale of asset-backed securities	56,403	37,937	159,670	100,393
Disbursements for subordinate financing investments	(87,673)	(71,024)	(210,194)	(159,354)
Repayments of subordinate financing investments	38,504	40,675	126,973	99,649
Disbursements for venture capital investments	(75,291)	(42,440)	(175,028)	(130,817)
Proceeds on sale of venture capital investments	18,321	5,002	76,334	19,758
Disbursements for venture capital action plan investments	(26,468)	(23,759)	(67,591)	(32,100)
Proceeds on sale of venture capital action plan investments	6	-	228	-
Acquisition of property and equipment	(1,249)	(1,701)	(5,246)	(2,757)
Proceeds from disposal of property and equipment	-	(467)	-	(466)
Acquisition of intangible assets	-	470	-	4
Net cash flows provided (used) by investing activities	(151,406)	(115,926)	(365,009)	(273,964)
Financing activities				
Net change in short-term notes	550,135	449,750	1,093,273	1,095,950
Issue of long-term notes	-	41,400	-	130,500
Repayment of long-term notes	(55,023)	(101,537)	(127,722)	(327,151)
Distributions to non-controlling interests	(1,683)	(2,538)	(9,753)	(16,959)
Capital injections from non-controlling interests	-	149	783	2,504
Issue of common shares	-	-	150,000	-
Dividends paid on common shares	-	-	(62,888)	(54,613)
Net cash flows provided (used) by financing activities	493,429	387,224	1,043,693	830,231
Net increase (decrease) in cash and cash equivalents	15,204	(19,431)	20,518	(17,607)
Cash and cash equivalents at beginning of period	672,398	678,353	667,084	676,529
Cash and cash equivalents at end of period	687,602	658,922	687,602	658,922

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. BDC GENERAL DESCRIPTION

The Business Development Bank of Canada is a Crown corporation that was established by an Act of Parliament on December 20, 1974, as the Federal Business Development Bank and continued under its current name by an Act of Parliament that was enacted on July 13, 1995. The Business Development Bank of Canada is incorporated in Canada and wholly owned by the Government of Canada.

The objectives of the Business Development Bank of Canada and its subsidiaries (together, BDC) are to promote and assist in the establishment and development of business enterprises in Canada, with a focus on small and medium-sized enterprises, by providing a range of complementary lending and investment services, as well as consulting services. BDC offers Canadian companies services tailored to meet their current needs while earning an appropriate return on equity, which is used to further BDC's activities. BDC does not receive appropriations from the Government of Canada.

2. BASIS OF PREPARATION

BDC's condensed quarterly Consolidated Financial Statements are in compliance with the Standard on Quarterly Financial Reports for Crown Corporations, as required by the *Financial Administration* Act and issued by the Treasury Board of Canada Secretariat.

BDC's condensed quarterly Consolidated Financial Statements follow the same basis of preparation as our audited Consolidated Financial Statements for the year ended March 31, 2015. For complete information on the basis of preparation, refer to page 55 of our 2015 Annual Report.

These condensed quarterly Consolidated Financial Statements have been prepared using International Financial Reporting Standards (IFRS). The condensed quarterly Consolidated Financial Statements have also been prepared in accordance with the accounting policies BDC expects to use in its annual Consolidated Financial Statements for the year ending March 31, 2016. If BDC changes the application of these policies, it may result in a restatement of these condensed quarterly Consolidated Financial Statements.

These condensed quarterly Consolidated Financial Statements have been prepared using International Financial Reporting Standards (IFRS) and were approved for issue by the Board of Directors on February 10, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

BDC's condensed quarterly Consolidated Financial Statements follow the same accounting policies as our audited Consolidated Financial Statements for the year ended March 31, 2015. These policies have been consistently applied to all periods presented in these condensed quarterly Consolidated Financial Statements and have been applied consistently by all entities consolidated by BDC.

These condensed quarterly Consolidated Financial Statements must be read in conjunction with BDC's 2015 Annual Report and the accompanying notes, as set out on pages 55 to 109 of our 2015 Annual Report.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of the condensed quarterly Consolidated Financial Statements as per IFRS requires management to make judgements and use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these assumptions regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

For information about the significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed quarterly Consolidated Financial Statements, refer to page 65 of our 2015 Annual Report.

5. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following tables summarize the classification of BDC's financial instruments as at December 31, 2015, and March 31, 2015.

December 31, 2015

		Measured at fair value				Measured at amortized cost		
		FVTPL[1]						
	Note	Held-for-trading	Designated as at FVTPL	Available-for-sale	Cash flow hedges	Loans and receivables	Financial liabilities	Total
Financial assets								
Cash and cash equivalents						687,602		687,602
Derivative assets		45,316			2,366			47,682
Asset-backed securities	6		6,781	509,582				516,363
Loans	7					19,441,499		19,441,499
Subordinate financing investments	8		718,077					718,077
Venture capital investments	9		912,575					912,575
Venture capital action plan investments	10		117,399					117,399
Other assets[2]						12,114		12,114
Total financial assets		45,316	1,754,832	509,582	2,366	20,141,215	-	22,453,311
Financial liabilities								
Accounts payable and accrued liabilities							90,283	90,283
Derivative liabilities		9,465						9,465
Short-term notes							16,528,556	16,528,556
Long-term notes			277,846				139,552	417,398
Other liabilities[2]							33,632	33,632
Total financial liabilities		9,465	277,846	-	-	-	16,792,023	17,079,334

March 31, 2015

		Measured at fair value				Measured at amortized cost		
		FVTPL[1]						
	Note	Held-for-trading	Designated as at FVTPL	Available-for-sale	Cash flow hedges	Loans and receivables	Financial liabilities	Total
Financial assets								
Cash and cash equivalents						667,084		667,084
Derivative assets		49,666			3,656			53,322
Asset-backed securities	6		3,688	404,043				407,731
Loans	7					18,414,044		18,414,044
Subordinate financing investments	8		642,810					642,810
Venture capital investments	9		709,639					709,639
Venture capital action plan investments	10		47,643					47,643
Other assets[2]						8,200		8,200
Total financial assets		49,666	1,403,780	404,043	3,656	19,089,328	-	20,950,473
Financial liabilities								
Accounts payable and accrued liabilities							101,996	101,996
Derivative liabilities		7,515						7,515
Short-term notes							15,435,747	15,435,747
Long-term notes			304,453				244,256	548,709
Other liabilities[2]							27,568	27,568
Total financial liabilities		7,515	304,453	-	-	-	15,809,567	16,121,535

[1] Fair value through profit or loss

[2] Certain items within the other assets and other liabilities categories on the Consolidated Statement of Financial Position are not considered to be financial instruments.

FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial instruments measured at fair value must be categorized into one of three hierarchy levels for disclosure purposes. Each level is based on the observability of the inputs used to measure the fair value of assets and liabilities and is defined below:

- level 1—fair values based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- level 2—fair values based on inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- level 3—fair values based on valuation techniques with one or more significant unobservable market inputs.

There were no transfers between levels 1 and 2 or between levels 2 and 3 in the reporting periods. BDC's policy is to recognize transfers between levels 1 and 3 when private investments become publicly traded or public investments become private investments during the reporting periods.

The following tables present financial instruments carried at fair value categorized by hierarchy levels.

	December 31, 2015			
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets		47,682		47,682
Asset-backed securities		516,363		516,363
Subordinate financing investments	708		717,369	718,077
Venture capital investments	8,593		903,982	912,575
Venture capital action plan investments			117,399	117,399
	9,301	564,045	1,738,750	2,312,096
Liabilities				
Derivative liabilities		9,465		9,465
Long-term notes designated as at FVTPL[1]		277,846		277,846
	-	287,311	-	287,311

[1] Fair value through profit or loss.

	March 31, 2015			
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets		53,322		53,322
Asset-backed securities		407,731		407,731
Subordinate financing investments	607		642,203	642,810
Venture capital investments	1,871		707,768	709,639
Venture capital action plan investments			47,643	47,643
	2,478	461,053	1,397,614	1,861,145
Liabilities				
Derivative liabilities		7,515		7,515
Long-term notes designated as at FVTPL[(1)]		304,453		304,453
	-	311,968	-	311,968

[(1)] Fair value through profit or loss.

The following tables present the changes in fair value measurement for financial instruments included in level 3 of the fair value hierarchy.

	December 31, 2015			
	Subordinate financing investments	**Venture capital investments**	**Venture capital action plan investments**	**Total**
Fair value as at April 1, 2015	**642,203**	**707,768**	**47,643**	**1,397,614**
Net realized gains (losses) on investments	**396**	**6,168**	**-**	**6,564**
Net change in unrealized appreciation (depreciation) of investments	**(9,155)**	**68,036**	**2,345**	**61,226**
Net unrealized foreign exchange gains (losses) on investments	**-**	**31,951**	**48**	**31,999**
Disbursements for investments	**210,194**	**171,773**	**67,591**	**449,558**
Repayments of investments and other	**(126,269)**	**(72,099)**	**(228)**	**(198,596)**
Transfers from level 3 to level 1	**-**	**(9,615)**	**-**	**(9,615)**
Fair value as at December 31, 2015	**717,369**	**903,982**	**117,399**	**1,738,750**

	Subordinate financing investments	Venture capital investments	Venture capital action plan investments	March 31, 2015 Total
Fair value as at April 1, 2014	575,993	489,038	5,169	1,070,200
Net realized gains (losses) on investments	(23,010)	(8,873)	-	(31,883)
Net change in unrealized appreciation (depreciation) of investments	9,600	30,118	(3,591)	36,127
Net unrealized foreign exchange gains (losses) on investments	-	27,737	-	27,737
Disbursements for investments	218,335	190,004	46,165	454,504
Repayments of investments and other	(138,715)	(16,385)	(100)	(155,200)
Transfers from level 3 to level 1	-	(3,871)	-	(3,871)
Fair value as at March 31, 2015	642,203	707,768	47,643	1,397,614

6. ASSET-BACKED SECURITIES

	December 31, 2015	March 31, 2015
Available-for-sale		
Principal amount	**507,524**	400,096
Cumulative fair value appreciation (depreciation)	**2,058**	3,947
Carrying value	**509,582**	404,043
Yield	**1.78%**	2.02%
Fair value through profit or loss		
Principal amount	**6,728**	3,609
Cumulative fair value appreciation (depreciation)	**53**	79
Carrying value	**6,781**	3,688
Yield	**6.98%**	7.65%
Asset-backed securities	**516,363**	407,731

No asset-backed securities were impaired as at December 31 or March 31, 2015.

7. LOANS

The following tables provide loans outstanding by contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	187,124	2,278,962	17,015,333	19,481,419	(370,000)		(370,000)	19,111,419
Impaired	19,819	73,361	449,907	543,087		(213,007)	(213,007)	330,080
Loans as at December 31, 2015	206,943	2,352,323	17,465,240	20,024,506	(370,000)	(213,007)	(583,007)	19,441,499

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	186,646	2,078,792	16,187,973	18,453,411	(350,000)	-	(350,000)	18,103,411
Impaired	7,856	62,270	420,430	490,556	-	(179,923)	(179,923)	310,633
Loans as at March 31, 2015	194,502	2,141,062	16,608,403	18,943,967	(350,000)	(179,923)	(529,923)	18,414,044

Allowance for credit losses

	December 31, 2015	March 31, 2015
Balance at beginning of period	529,923	508,250
Write-offs	(44,072)	(71,983)
Effect of discounting	(10,188)	(12,788)
Recoveries and other	7,423	10,521
	483,086	434,000
Provision for credit losses	99,921	95,923
Balance at end of period	583,007	529,923

Concentrations of total loans outstanding

Geographic distribution	December 31, 2015	March 31, 2015
Newfoundland and Labrador	841,525	790,243
Prince Edward Island	54,234	53,344
Nova Scotia	520,361	490,936
New Brunswick	477,180	469,044
Quebec	6,428,300	6,243,857
Ontario	5,152,271	4,812,779
Manitoba	644,577	600,946
Saskatchewan	676,698	633,566
Alberta	2,959,574	2,644,485
British Columbia	2,144,825	2,080,226
Yukon	96,141	97,397
Northwest Territories and Nunavut	28,820	27,144
Total loans outstanding	20,024,506	18,943,967

Industry sector	December 31, 2015	March 31, 2015
Manufacturing	4,443,358	4,186,626
Wholesale and retail trade	4,037,978	3,843,068
Service industries	2,607,310	2,455,093
Tourism	2,537,566	2,491,385
Commercial properties	2,142,517	2,183,966
Construction	1,678,244	1,560,146
Transportation and storage	1,233,903	1,089,428
Resources	811,873	680,730
Other	531,757	453,525
Total loans outstanding	20,024,506	18,943,967

8. SUBORDINATE FINANCING INVESTMENTS

BDC maintains a medium- to high-risk portfolio of subordinate financing investments. The following table summarizes outstanding subordinate financing investments by their contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total cost	Total fair value
As at December 31, 2015	78,731	548,638	114,882	742,251	718,077
As at March 31, 2015	80,350	480,167	97,460	657,977	642,810

Concentrations of total subordinate financing investments

	December 31, 2015		March 31, 2015	
Geographic distribution	Fair value	Cost	Fair value	Cost
Newfoundland and Labrador	9,601	8,278	5,063	3,831
Nova Scotia	16,406	16,400	15,888	16,592
New Brunswick	26,598	23,802	22,352	20,355
Quebec	287,435	309,694	253,105	269,482
Ontario	242,919	244,245	212,234	212,103
Manitoba	11,969	7,275	11,617	8,270
Saskatchewan	15,221	14,650	6,462	5,485
Alberta	73,504	81,793	88,517	92,540
British Columbia	30,797	32,353	23,855	25,470
Yukon	2,585	2,656	2,613	2,744
Northwest Territories and Nunavut	1,042	1,105	1,104	1,105
Subordinate financing investments	718,077	742,251	642,810	657,977

	December 31, 2015		March 31, 2015	
Industry sector	**Fair value**	**Cost**	Fair value	Cost
Manufacturing	**248,264**	**252,275**	223,059	225,962
Service industries	**147,374**	**158,582**	135,614	142,482
Wholesale and retail trade	**130,036**	**130,341**	107,962	108,233
Construction	**65,960**	**60,271**	51,697	47,244
Resources	**42,240**	**50,478**	48,732	52,293
Information industries	**25,360**	**27,256**	21,526	24,068
Transportation and storage	**9,489**	**10,108**	11,071	11,494
Real estate and rental and leasing	**5,389**	**5,570**	3,033	3,128
Tourism	**4,576**	**5,181**	9,756	10,111
Educational services	**2,908**	**2,850**	4,038	3,922
Other	**36,481**	**39,339**	26,322	29,040
Subordinate financing investments	**718,077**	**742,251**	642,810	657,977

9. VENTURE CAPITAL INVESTMENTS

BDC maintains a high-risk portfolio of venture capital investments that is focused on early-stage and fast-growing technology companies having promising positions in their respective marketplaces and strong growth potential. The concentrations and investment types of venture capital investments are listed below.

	December 31, 2015		March 31, 2015	
Industry sector	**Fair value**	**Cost**	Fair value	Cost
Information technology	**209,689**	**185,205**	160,551	151,208
Biotechnology and pharmacology	**136,489**	**87,891**	73,709	81,218
Electronics	**84,751**	**97,592**	89,219	91,774
Communications	**42,348**	**38,879**	32,241	33,664
Medical and health	**38,876**	**50,939**	40,121	45,522
Energy	**24,080**	**26,055**	16,628	20,635
Industrial	**11,835**	**18,685**	12,673	18,331
Other	**9,710**	**8,495**	3,447	2,512
Total direct investments	**557,778**	**513,741**	428,589	444,864
Funds	**354,797**	**284,108**	281,050	245,021
Venture capital investments	**912,575**	**797,849**	709,639	689,885

	December 31, 2015		March 31, 2015	
Investment type	**Fair value**	**Cost**	Fair value	Cost
Common shares	**62,628**	**89,344**	40,061	70,027
Preferred shares	**437,817**	**365,852**	336,898	321,239
Debentures	**57,333**	**58,545**	51,630	53,598
Total direct investments	**557,778**	**513,741**	428,589	444,864
Funds	**354,797**	**284,108**	281,050	245,021
Venture capital investments	**912,575**	**797,849**	709,639	689,885

10. VENTURE CAPITAL ACTION PLAN INVESTMENTS

Venture Capital Action Plan is a federal government initiative to invest $400 million to increase private sector venture capital financing for high-potential, innovative Canadian businesses.

Venture Capital Action Plan invests primarily in early-stage and mid-stage venture capital funds, and directly in companies across Canada. Venture Capital Action Plan supports the creation of large private sector-led funds of funds and also assists existing high-performing funds in partnership with institutional investors, corporate strategic investors and interested provinces.

As at December 31, 2015, the fair value of venture capital action plan investments stood at $117,399 ($47,643 as at March 31, 2015), and their cost was $119,129 ($51,767 as at March 31, 2015).

11. SHARE CAPITAL

An unlimited number of common shares, having a par value of $100 each, is authorized. As at December 31, 2015, there were 22,884,000 common shares outstanding (21,384,000 as at March 31, 2015).

During the nine-month period ended December 31, 2015, BDC issued 1,500,000 common shares for $150.0 million.

Statutory limitations

As per the BDC Act, the debt-to-equity ratio cannot exceed 12:1. In addition, the paid-in capital, the contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must not exceed $3.0 billion. As at December 31, 2015, and March 31, 2015, BDC met both of these statutory limitation requirements.

Capital adequacy

Treasury Board of Canada Secretariat provides guidelines to BDC on its capital adequacy ratios. BDC must maintain overall capital and allowance for credit losses sufficient to ensure that BDC can withstand unfavourable economic circumstances without requiring additional government funding. During the nine-month period ended December 31, 2015, and for the fiscal year ended March 31, 2015, BDC complied with its capital adequacy guidelines.

12. SEGMENTED INFORMATION

BDC has six reportable segments, as described below, which are the Bank's business lines. Each business line offers different products and services, and is managed separately based on BDC's management and internal reporting structure.

The following summary describes the operations of each of the Bank's reportable segments.

- **Financing** provides secured, partially secured and unsecured loans with a focus on small and medium-sized enterprises across Canada.
- **Growth & Transition Capital** provides subordinate financing by way of flexible debt, with or without convertible features, and equity-type financing.
- **Venture Capital** provides investments to cover every stage of a technology-based company's development cycle, from seed funding to expansion. BDC also makes indirect investments via venture capital investment funds.
- **BDC Advantage** supports high-impact firms and provides consulting services, group programs and other services related to business activities.
- **Securitization** purchases investments in asset-backed securities through the Funding Platform for Independent Lenders (F-PIL). These securities are backed by vehicle and equipment loans and leases, as well as dealer floor plan loans. BDC also provides fully secured loans to small and medium-sized finance and leasing companies.
- **Venture Capital Action Plan** supports the creation of large private sector-led funds of funds and also assists existing high-performing funds in partnership with institutional investors, corporate strategic investors and interested provinces.

The assumptions and methodologies used in BDC's reporting framework are periodically reviewed by management to ensure they remain valid. BDC's main allocation methods are described below.

Interest expense is allocated to each operating segment based on its business portfolio and the capital attributed to the segment. The attribution of capital to BDC's business segments is maintained in accordance with the capital adequacy ratios provided by the Treasury Board of Canada Secretariat and is consistently aligned with the economic risks of each specific business segment.

Operating and administrative expenses include costs incurred directly by the business segments. Indirect costs incurred at the enterprise level are attributed to each segment using management's internal reporting framework.

Loan and investment portfolios are managed separately based on BDC's business segments. None of the other assets or liabilities are managed by segment.

The following tables present financial information regarding the results of each reportable segment.

	Three months ended December 31, 2015						
	BDC	**Financing**	**Growth & Transition Capital**	**Venture Capital**	**BDC Advantage**	**Securitization**	**Venture Capital Action Plan**
Interest income	**274,736**	256,489	15,856	-	-	2,391	-
Interest expense	**16,862**	14,753	1,093	-	-	1,016	-
Net interest income	**257,874**	**241,736**	**14,763**	-	-	**1,375**	-
Net realized gains (losses) on investments	**(6,551)**	-	787	(7,338)	-	-	-
Consulting revenue	**3,851**	-	-	-	3,851	-	-
Fee and other income	**10,701**	4,812	5,485	152	-	149	103
Net realized gains (losses) on other financial instruments	**(33)**	44	-	(77)	-	-	-
Net revenue (loss)	**265,842**	**246,592**	**21,035**	**(7,263)**	**3,851**	**1,524**	**103**
Provision for credit losses	**(38,290)**	(38,290)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	**26,751**	-	(3,219)	22,641	-	(8)	7,337
Net unrealized foreign exchange gains (losses) on investments	**12,796**	-	-	12,748	-	-	48
Net unrealized gains (losses) on other financial instruments	**24**	100	-	(76)	-	-	-
Income (loss) before operating and administrative expenses	**267,123**	**208,402**	**17,816**	**28,050**	**3,851**	**1,516**	**7,488**
Salaries and benefits	**82,773**	63,642	6,926	3,807	7,701	513	184
Premises and equipment	**11,708**	10,214	419	393	645	24	13
Other expenses	**23,797**	17,778	808	1,133	3,948	103	27
Operating and administrative expenses	**118,278**	**91,634**	**8,153**	**5,333**	**12,294**	**640**	**224**
Net income (loss)	**148,845**	**116,768**	**9,663**	**22,717**	**(8,443)**	**876**	**7,264**
Net income (loss) attributable to:							
BDC's shareholder	**148,917**	116,768	9,904	22,548	(8,443)	876	7,264
Non-controlling interests	**(72)**	-	(241)	169	-	-	-
Net income (loss)	**148,845**	**116,768**	**9,663**	**22,717**	**(8,443)**	**876**	**7,264**
Business segment portfolio at end of period	**21,705,913**	**19,429,839**	**718,077**	**912,575**	**-**	**528,023**[1]	**117,399**

[1] Securitization's portfolio at the end of the period included $11,660 in loans and $516,363 in asset-backed securities.

	Three months ended December 31, 2014						
	BDC	Financing	Growth & Transition Capital	Venture Capital	BDC Advantage	Securitization	Venture Capital Action Plan
Interest income	**271,867**	254,676	15,058	-	-	2,133	-
Interest expense	**33,634**	31,128	1,887	-	-	619	-
Net interest income	**238,233**	223,548	13,171	-	-	1,514	-
Net realized gains (losses) on investments	**(1,008)**	-	164	(1,172)	-	-	-
Consulting revenue	**4,075**	-	-	-	4,075	-	-
Fee and other income	**10,673**	4,177	5,929	501	-	-	66
Net realized gains (losses) on other financial instruments	**(6,211)**	332	-	(6,543)	-	-	-
Net revenue (loss)	**245,762**	228,057	19,264	(7,214)	4,075	1,514	66
Provision for credit losses	**(22,982)**	(22,982)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	**(10,582)**	-	511	(11,525)	-	(16)	448
Net unrealized foreign exchange gains (losses) on investments	**6,877**	-	-	6,877	-	-	-
Net unrealized gains (losses) on other financial instruments	**3,081**	(1,211)	-	4,292	-	-	-
Income (loss) before operating and administrative expenses	**222,156**	203,864	19,775	(7,570)	4,075	1,498	514
Salaries and benefits	**71,190**	56,583	4,219	3,672	6,147	392	177
Premises and equipment	**11,570**	10,225	358	408	546	18	15
Other expenses	**24,201**	18,315	756	1,329	3,668	72	61
Operating and administrative expenses	**106,961**	85,123	5,333	5,409	10,361	482	253
Net income (loss)	**115,195**	118,741	14,442	(12,979)	(6,286)	1,016	261
Net income (loss) attributable to:							
BDC's shareholder	**115,146**	118,741	13,998	(12,584)	(6,286)	1,016	261
Non-controlling interests	**49**	-	444	(395)	-	-	-
Net income (loss)	**115,195**	118,741	14,442	(12,979)	(6,286)	1,016	261
Business segment portfolio at end of period	**19,843,551**	18,149,854	626,586	627,047	-	405,319[1]	34,745

[1] Securitization's portfolio at the end of the period included $1,626 in loans and $403,693 in asset-backed securities.

							Nine months ended December 31, 2015
	BDC	**Financing**	**Growth & Transition Capital**	**Venture Capital**	**BDC Advantage**	**Securitization**	**Venture Capital Action Plan**
Interest income	**818,008**	764,432	46,872	-	-	6,704	-
Interest expense	**57,823**	51,251	3,542	-	-	3,030	-
Net interest income	**760,185**	**713,181**	**43,330**	**-**	**-**	**3,674**	**-**
Net realized gains (losses) on investments	**7,205**	-	396	6,809	-	-	-
Consulting revenue	**11,023**	-	-	-	11,023	-	-
Fee and other income	**35,287**	12,578	19,341	2,942	-	171	255
Net realized gains (losses) on other financial instruments	**156**	313	-	(157)	-	-	-
Net revenue (loss)	**813,856**	**726,072**	**63,067**	**9,594**	**11,023**	**3,845**	**255**
Provision for credit losses	**(99,921)**	(99,921)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	**56,140**	-	(9,054)	62,875	-	(26)	2,345
Net unrealized foreign exchange gains (losses) on investments	**32,146**	-	-	32,098	-	-	48
Net unrealized gains (losses) on other financial instruments	**3,405**	3,476	-	(71)	-	-	-
Income (loss) before operating and administrative expenses	**805,626**	**629,627**	**54,013**	**104,496**	**11,023**	**3,819**	**2,648**
Salaries and benefits	**244,766**	190,382	19,207	11,307	21,841	1,485	564
Premises and equipment	**35,022**	30,607	1,244	1,134	1,922	76	39
Other expenses	**65,136**	48,702	2,271	3,191	10,728	202	42
Operating and administrative expenses	**344,924**	**269,691**	**22,722**	**15,632**	**34,491**	**1,743**	**645**
Net income (loss)	**460,702**	**359,936**	**31,291**	**88,864**	**(23,468)**	**2,076**	**2,003**
Net income (loss) attributable to:							
BDC's shareholder	**462,053**	359,936	30,536	90,970	(23,468)	2,076	2,003
Non-controlling interests	**(1,351)**	-	755	(2,106)	-	-	-
Net income (loss)	**460,702**	**359,936**	**31,291**	**88,864**	**(23,468)**	**2,076**	**2,003**
Business segment portfolio at end of period	**21,705,913**	**19,429,839**	**718,077**	**912,575**	**-**	**528,023**[1]	**117,399**

[1] Securitization's portfolio at the end of the period included $11,660 in loans and $516,363 in asset-backed securities.

							Nine months ended December 31, 2014
	BDC	Financing	Growth & Transition Capital	Venture Capital	BDC Advantage	Securitization	Venture Capital Action Plan
Interest income	**803,289**	752,597	44,537	-	-	6,155	-
Interest expense	**101,443**	94,072	5,669	-	-	1,702	-
Net interest income	**701,846**	658,525	38,868	-	-	4,453	-
Net realized gains (losses) on investments	**(26,995)**	-	(19,596)	(7,399)	-	-	-
Consulting revenue	**12,680**	-	-	-	12,680	-	-
Fee and other income	**33,715**	11,913	20,067	1,470	-	3	262
Net realized gains (losses) on other financial instruments	**(5,136)**	572	-	(5,708)	-	-	-
Net revenue (loss)	**716,110**	671,010	39,339	(11,637)	12,680	4,456	262
Provision for credit losses	**(59,673)**	(59,673)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	**25,311**	-	9,590	18,277	-	(32)	(2,524)
Net unrealized foreign exchange gains (losses) on investments	**9,662**	-	-	9,662	-	-	-
Net unrealized gains (losses) on other financial instruments	**(772)**	(2,540)	-	1,768	-	-	-
Income (loss) before operating and administrative expenses	**690,638**	608,797	48,929	18,070	12,680	4,424	(2,262)
Salaries and benefits	**217,159**	171,126	14,864	11,108	18,405	1,144	512
Premises and equipment	**34,340**	30,289	1,072	1,234	1,642	56	47
Other expenses	**65,107**	48,996	2,262	3,433	10,096	188	132
Operating and administrative expenses	**316,606**	250,411	18,198	15,775	30,143	1,388	691
Net income (loss)	**374,032**	358,386	30,731	2,295	(17,463)	3,036	(2,953)
Net income (loss) attributable to:							
BDC's shareholder	**374,919**	358,386	29,566	4,347	(17,463)	3,036	(2,953)
Non-controlling interests	**(887)**	-	1,165	(2,052)	-	-	-
Net income (loss)	**374,032**	358,386	30,731	2,295	(17,463)	3,036	(2,953)
Business segment portfolio at end of period	**19,843,551**	18,149,854	626,586	627,047	-	405,319[1]	34,745

[1] Securitization's portfolio at the end of the period included $1,626 in loans and $403,693 in asset-backed securities.

13. GUARANTEES

BDC issues "letters of credit, loan guarantees and portfolio guarantees" (guarantees) to support businesses. Those guarantees represent BDC's obligation to make payments to third parties if clients are unable to meet their contractual commitments. The total amount of available guarantees totalled $354.6 million as at December 31, 2015 ($31.7 million as at March 31, 2015). This amount is not representative of the maximum potential amount of future payments to be required for these guarantees, which is estimated to be significantly less than the available amount. Currently, there is no provision recorded, as defaults are deemed improbable. As at December 31, 2015 there was a $250.0 liability recognized on guarantees. There was no liability recognized as at March 31, 2015.

14. COMMITMENTS

Loans

Undisbursed amounts of authorized loans were $2,365,169 as at December 31, 2015 ($614,724 fixed rate; $1,750,445 floating rate) and are expected to be disbursed within the next 12 months. The weighted average effective interest rate was 4.45% on loan commitments (4.62% as at March 31, 2015). The following tables present undisbursed amounts of authorized loans, by location and industry.

Commitments, by geographic distribution	December 31, 2015	March 31, 2015
Newfoundland and Labrador	**61,848**	88,431
Prince Edward Island	**716**	525
Nova Scotia	**48,845**	55,930
New Brunswick	**19,145**	22,499
Quebec	**587,837**	545,479
Ontario	**687,240**	643,218
Manitoba	**60,029**	67,579
Saskatchewan	**52,109**	66,173
Alberta	**550,974**	568,549
British Columbia	**291,492**	193,659
Yukon	**1,189**	2,172
Northwest Territories and Nunavut	**3,745**	1,026
Total	**2,365,169**	2,255,240

Commitments, by industry sector	December 31, 2015	March 31, 2015
Manufacturing	**566,375**	519,240
Tourism	**326,951**	322,222
Wholesale and retail trade	**318,996**	319,899
Service industries	**313,020**	248,614
Resources	**235,029**	254,214
Construction	**210,805**	247,874
Transportation and storage	**154,620**	91,765
Commercial properties	**91,277**	103,386
Other	**148,096**	148,026
Total	**2,365,169**	2,255,240

Subordinate financing

Undisbursed amounts of authorized subordinate financing investments were $70,832 as at December 31, 2015 ($33,085 fixed rate; $37,747 floating rate) and are expected to be disbursed within the next 12 months. The weighted average effective interest rate (excluding non-interest returns) was 10.11% on investment commitments (9.87% as at March 31, 2015). The following tables present undisbursed amounts of authorized investments, by location and industry.

Commitments, by geographic distribution	December 31, 2015	March 31, 2015
Newfoundland and Labrador	1,209	255
Nova Scotia	1,500	-
New Brunswick	500	-
Quebec	16,709	23,570
Ontario	32,274	32,556
Saskatchewan	1,100	4,400
Alberta	10,950	2,650
British Columbia	6,590	4,230
Total	70,832	67,661

Commitments, by industry sector	December 31, 2015	March 31, 2015
Service industries	24,778	16,288
Manufacturing	21,798	19,350
Wholesale and retail trade	3,850	9,832
Construction	3,150	4,780
Resources	2,500	4,800
Information industries	11,591	4,061
Transportation and storage	1,300	300
Tourism	750	-
Real estate and rental and leasing	665	-
Other	450	8,250
Total	70,832	67,661

Venture capital

Undisbursed amounts of authorized venture capital investments were $346,952 as at December 31, 2015, and were related to the following industry sectors.

Industry sector	December 31, 2015	March 31, 2015
Biotechnology and pharmacology	11,471	3,671
Medical and health	4,000	7,000
Electronics	3,023	1,205
Information technology	1,799	3,750
Industrial	500	1,000
Total direct investments	20,793	16,626
External funds	326,159	320,456
Venture capital investments	346,952	337,082

Venture capital action plan

Undisbursed amounts of authorized venture capital action plan investments were $268,363 as at December 31, 2015 ($272,979 as at March 31, 2015).

Asset-backed securities

The undisbursed amount of authorized asset-backed securities was $291,000 as at December 31, 2015 ($227,000 as at March 31, 2015).

Leases

BDC has future minimum lease commitments under operating leases related to the rental of premises.

15. RELATED PARTY TRANSACTIONS

As at December 31, 2015, BDC had $16,525.0 million outstanding in short-term notes and $139.2 million outstanding in long-term notes (excluding accrued interest) with Her Majesty the Queen in Right of Canada acting through the Minister of Finance ($15,432.0 million in short-term notes and $243.7 million in long-term notes as at March 31, 2015).

Accrued interest on borrowings included $3.2 million payable to the Minister of Finance as at December 31, 2015 ($3.9 million as at March 31, 2015).

BDC recorded $16.9 million in interest expense, related to the borrowings from the Minister of Finance, for the third quarter and $58.1 million for the nine months ended December 31, 2015. Last year's comparative figures for the same periods were $34.0 million and $100.8 million, respectively.

In addition, no borrowings with the Minister of Finance were repurchased in the first nine months of fiscal 2016 (borrowings with the Minister of Finance repurchased resulted in a net realized loss of $0.5 million for the same period last year).

BDC is also related to all Government of Canada-created departments, agencies and Crown corporations. BDC enters into transactions with these entities in the normal course of business, under terms and conditions similar to those that apply to unrelated parties.

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